

Message Text

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PAGE 01 KUWAIT 05975 221256Z
ACTION NEA-10

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00
DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SY-05
EB-08 OMB-01 /067 W
-----100126 221315Z /43

O P 221232Z OCT 77
FM AMEMBASSY KUWAIT
TO AMEMBASSY CAIRO IMMEDIATE
INFO SECSTATE WASHDC PRIORITY 9294
SECTREASURY WASHDC PRIORITY
AMEMBASSY TEL AVIV PRIORITY

C O N F I D E N T I A L KUWAIT 5975

CAIRO FOR BRIDGES FOR SEC TREAS PARTY

E.O. 11652: GDS
TAGS: FIN, OVIP (BLUMENTHAL, W. MICHAEL)
SUBJECT: TREASURY SECRETARY BLUMENTHAL VISIT: DISCUSSION
OF DOLLAR

REF: KUWAIT 4988

1. IN COVERAGE OF BLUMENTHAL VISIT TO THE AREA,
KUWAIT ENGLISH PRESS OCT. 22 SAYS TREASURY SECRETARY "WILL
OFFER ASSURANCES TO THE LEADERS OF SAUDI ARABIA AND
KUWAIT IN PARTICULAR THAT THE U.S. DOES NOT FAVOR A SUBSTAN-
TIAL DECLINE IN THE VALUE OF THE DOLLAR". ARTICLE ADDS
THAT "U.S. OFFICIALS ARE HOPEFUL THAT SAUDI ARABIA AND
KUWAIT WILL NOT SELL ANY SIGNIFICANT PORTION OF THEIR
INVESTMENTS IN U.S. DOLLARS BECAUSE SUCH A DEVELOPMENT
WOULD PUT EVEN MORE PRESSURE ON THE DOLLAR".

2. EMBASSY'S BRIEFING MESSAGE FOR BLUMENTHAL VISIT (REFTEL)
WAS PREPARED IN EARLY SEPTEMBER BEFORE RECENT DOWNWARD
FLUCTUATION OF THE DOLLAR OCCURRED AND CONSEQUENTLY
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MENTIONED BUT DID NOT STRESS THIS AS A POSSIBLE TOPIC
OF DISCUSSION. DURING A PREVIOUS PERIOD OF CURRENCY
FLUCTUATION IN EARLY AUGUST, THERE WAS SOME COMMENT IN
THE PRESS ABOUT KUWAIT SWITCHING TO SDRS FOR OIL PRICING.
THIS WAS CATEGORICALLY DENIED AS REPORTED IN KUWAIT 4671.

3. WHILE WE SERIOUSLY DOUBT THAT KUWAITIS ARE THINKING OF

ANY MOVEMENT AWAY FROM THE DOLLAR, WE DO NOTE THAT THE DOLLAR HAS HIT NEAR ALL-TIME LOW OF \$3.52 TO 1 KUWAIT DINAR AS OF OCT. 22. THEREFORE, IT IS POSSIBLE THAT THIS SUBJECT WILL BE RAISED WITH SECRETARY BLUMENTHAL DURING HIS VISIT HERE. WE NOTE THAT SECRETARY'S RECENT PUBLIC COMMENTS ON THIS SCORE (E.G. SPEECH TO ABA CONVENTION OCT. 19) HAVE HELPED REVERSE DOWNWARD TREND IN EUROPEAN CURRENCY MARKETS, ALTHOUGH THIS IMPROVEMENT HAS NOT YET BEEN REGISTERED HERE.

4. IT MAY WELL BE THAT ANY CONCERN HERE MIGHT BE DISSIPATED BY TIME OF SECRETARY'S ARRIVAL IN KUWAIT, BUT BELIEVE IT WOULD BE USEFUL IF HE COULD MAKE IT A POINT TO BRIEF KUWAITIS ON OUR PROJECTIONS OF U.S. BOP SITUATION AND PROGNOSIS FOR THE DOLLAR.
MAESTRONE

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